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WILLIAM A. MUNDELL
COMMISSIONER

DOCKETED

SEP 20 2000

DOCKETED BY	<i>[Signature]</i>
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DATE:

September 20, 2000

DOCKET NO.:

RE-00000C-00-0275

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judges Jerry Rudibaugh and Jane Rodda. The recommendation has been filed in the form of an Opinion and Order on:

REVISION OF ELECTRIC COMPETITION RULES
(RULEMAKING)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

SEPTEMBER 29, 2000

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

OCTOBER 4, 2000 and OCTOBER 5, 2000

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250.

[Signature]
BRIAN C. McNEIL
EXECUTIVE SECRETARY

OPEN MEETING ITEM



ORIGINAL 22

BRIAN C. McNEIL
EXECUTIVE SECRETARY

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ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCUMENT CONTROL

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK
CHAIRMAN
3 JIM IRVIN
COMMISSIONER
4 WILLIAM A. MUNDELL
COMMISSIONER
5

6 IN THE MATTER OF THE ARIZONA
CORPORATION COMMISSION REVISING THE
7 RULES FOR ELECTRIC UTILITIES AND RETAIL
ELECTRIC COMPETITION.

DOCKET NO. RE-00000C-00-0275

DECISION NO. _____

8 **OPINION AND ORDER**

9 DATE OF HEARING: September 15, 2000
10 PLACE OF HEARING: Phoenix, Arizona
11 ADMINISTRATIVE LAW JUDGES: Jerry L. Rudibaugh and Jane L. Rodda
12 APPEARANCES: Michael Grant, Gallagher & Kennedy, P.A., on behalf of
13 Arizona Electric Power Cooperative, Inc., Duncan
Electric Cooperative, Inc. and Graham County Electric
14 Cooperative;
Webb C. Crockett, Fennemore Craig, on behalf of
15 Arizonans for Electric Choice and Competition; and
16 Teena Wolfe, Staff Attorney, Legal Division, on behalf
of the Arizona Corporation Commission Utilities
17 Division.

18 **BY THE COMMISSION:**

19 On July 5, 2000, the Arizona Corporation Commission ("Commission") Staff ("Staff")
20 forwarded to the Commission proposed revisions to rules R14-2-201 through -203, -206 through -
21 209, -211 through -213, R14-2-1601, -1603, -1604, -1606 through -1614, -1616, and -1617
22 regarding Electric Utilities and Retail Electric Competition (the "Rules"). The proposed revisions to
23 the Rules provide for minor clarifications of the rules in preparation for full competition in the
24 provision of retail electric service. By Decision No. 62748 (July 25, 2000), the Commission directed
25 that a hearing be scheduled for the purpose of taking public comment regarding the amendments to
26 the Rules. By Procedural Order dated July 26, 2000, the public comment hearing was scheduled for
27 September 15, 2000. The Notice of Proposed Rulemaking was published in the Arizona
28 Administrative Register on August 11, 2000.

1 On August 25, 2000, Arizona Electric Power Cooperative, Inc., Duncan Electric Cooperative,
 2 Inc. and Graham County Electric Cooperative, Inc. (collectively the "Co-ops") filed Comments on
 3 Proposed Rule Revisions ("Comments"). On September 7, 2000, Staff filed its Responsive
 4 Comments. The public comment hearing on the amendments to the Rules took place as scheduled on
 5 September 15, 2000. The Co-ops and Arizonans for Electric Choice and Competition made public
 6 comments on the amendments to the Rules at the hearing.

7 In general, the proposed amendments to the Rules clarify procedures by designating where
 8 filings are made or clarifying responsibility within the Commission or better defining types of
 9 information to be filed. At the public hearing, Staff explained that they recommended adoption of
 10 two of the Co-ops' comments, but did not want to recommend adoption of the other two because in
 11 Staff's opinion they were substantive changes that would necessitate additional public comment.

12 After consideration of the filed written comments and oral comments received in the public
 13 comment hearings, the Hearing Division recommends two modifications of the revised Rules as set
 14 forth in Appendix A ("Proposed Modifications"). The Proposed Modifications are not substantive,
 15 but merely clarify that the Arizona Independent Scheduling Administrator implementation plan
 16 required pursuant to Section 1609 and the Codes of Conduct required by Section 1616 do not have to
 17 be re-filed if they are already on file.

18 There was no opposition to the proposed amendments to the Rules or to the Proposed
 19 Modifications. The Co-ops made a couple comments to the Rules which, if adopted, Staff believes
 20 would be substantive changes. It is the Commission's intent to make non-substantive changes in the
 21 Rules at this time in order to facilitate the introduction of electric competition in the state. Because
 22 we are not adopting substantive changes does not imply that the suggestions do not have merit and
 23 should not be adopted at a later date. In particular, we believe that the conflict between the definition
 24 of transmission services as Noncompetitive in Section 1601, but its classification as Competitive in
 25 Sections 1609 and 1612 which establish the various tariff and bill elements requires further study and
 26 either clarification or modification.

27 * * * * *

28 Having considered the entire record herein and being fully advised in the premises, the

1 Commission finds, concludes, and orders that:

2 **FINDINGS OF FACT**

3 1. On July 5, 2000, Staff forwarded to the Commission proposed revisions to rules R14-
4 2-201 through -203, -206 through -209, -211 through -213, R14-2-1601, -1603, -1604, -1606
5 through -1614, -1616, and -1617 regarding the Rules.

6 2. The proposed revisions to the Rules provide for minor clarifications in preparation for
7 full competition in the provision of retail electric service.

8 3. By Decision No. 62748 (July 25, 2000), the Commission directed that a hearing be
9 scheduled for the purpose of taking public comment regarding the amendments to the Rules.

10 4. By Procedural Order dated July 26, 2000, the public comment hearing was scheduled
11 for September 15, 2000.

12 5. The Notice of Proposed Rulemaking was published in the Arizona Administrative
13 Register on August 11, 2000.

14 6. On August 25, 2000, the Co-ops filed Comments. On September 7, 2000, Staff filed
15 its Responsive Comments.

16 7. The public comment hearing on the amendments to the Rules took place as scheduled
17 on September 15, 2000. The Co-ops and Arizonans for Electric Choice and Competition made public
18 comments on the amendments to the Rules at the hearing.

19 8. After consideration of the filed written comments and oral comments received in the
20 public comment hearing, the Hearing Division recommended the Proposed Modifications to the
21 amendments to the Rules as set forth in Appendix A, attached hereto and incorporated herein by
22 reference. The Proposed Modifications modify A.A.C. R14-2-1609 and R14-2-1616.

23 9. The Concise Explanatory Statement is set forth in Appendix B, attached hereto and
24 incorporated by reference.

25 10. We believe that the comments raised by the Co-ops concerning R14-2-1612(L)(9) and
26 (10) and R14-2-1606 and 1612, require further consideration, and that the Director of the Utilities
27 Division, or the Director's designee, should add these issues to the agendas of established working
28 groups or devise an alternative methodology for studying the issues and should submit a report to the

1 Commission with recommendations concerning these issues.

2 **CONCLUSIONS OF LAW**

3 1. Pursuant to the Arizona Constitution, Article XV, and the Arizona Revised Statutes,
4 Title 40 generally, the Commission has jurisdiction to adopt amended A.A.C. R14-2-201 through -
5 203, -206 through -209, -211 through -213, R14-2-1601, -1603, -1604, -1606 through -1614, -1616,
6 and -1617.

7 2. Notice of the hearing was given in the manner prescribed by law.

8 3. The amendments to the Rules and the Proposed Modifications are not substantive in
9 nature.

10 4. Adoption of the amendments to the Rules and the Proposed Modifications is in the
11 public interest, and should be approved.

12 5. The Concise Explanatory Statement as set forth in Appendix B should be adopted.

13 **ORDER**

14 IT IS THEREFORE ORDERED that A.A.C. R14-2-201 through -203, -206 through -209, -
15 211 through -213, R14-2-1601, -1603, -1604, -1606 through -1614, -1616, and -1617, as set forth in
16 Appendix A and the Concise Explanatory Statement, as set forth in Appendix B are hereby adopted.

17 IT IS FURTHER ORDERED that the Commission's Utilities Division shall submit the
18 adopted amended Rules A.A.C. R14-2-201 through -203, -206 through -209, -211 through -213,
19 R14-2-1601, -1603, -1604, -1606 through -1614, -1616, and -1617, to the Attorney General's Office
20 for certification.

21 IT IS FURTHER ORDERED that the Commission's Utilities Division is authorized to make
22 changes to the adopted amended Rules, A.A.C. R14-2-201 through -203, -206 through -209, -211
23 through -213, R14-2-1601, -1603, -1604, -1606 through -1614, -1616, and -1617; and to the Concise
24 Explanatory Statement, in response to comments received by the Attorney General's Office during
25 the approval process under A.R.S. § 41-1044 unless, after notification of those changes, the
26 Commission requires otherwise.

27 IT IS FURTHER ORDERED that the Director of the Utilities Division shall institute
28 procedures to comply with the Commission's concerns set forth in Findings of Fact No. 10, and shall

1 submit a Report to the Commission within 180 days of the effective date of this Decision.

2 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
Secretary of the Arizona Corporation Commission, have
hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this ____ day of _____, 2000.

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

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DISSENT _____

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1 SERVICE LIST FOR:

REVISION RULES FOR ELECTRIC UTILITIES AND
REAL ESTATE ELECTRIC COMPETITION

2
3 DOCKET NO.

RE-00000C-00-0275

4
5 SERVICE LIST FOR RE-00000C-00-0275

6 Lyn Farmer, Chief Counsel
7 Legal Division
8 ARIZONA CORPORATION COMMISSION
9 1200 West Washington Street
10 Phoenix, Arizona 85007

11 Deborah Scott, Director
12 Utilities Division
13 ARIZONA CORPORATION COMMISSION
14 1200 West Washington Street
15 Phoenix, Arizona 85007
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APPENDIX A

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS; SECURITIES

REGULATION

CHAPTER 2. ARIZONA CORPORATION COMMISSION

FIXED UTILITIES

ARTICLE 2. ELECTRIC UTILITIES

Sections

- R14-2-201. Definitions
- R14-2-202. Certificate of Convenience and Necessity for Electric Utilities
- R14-2-203. Establishment of Service
- R14-2-206. Service Lines and Establishments
- R14-2-207. Line Extensions
- R14-2-208. Provision of Service
- R14-2-209. Meter Reading
- R14-2-211. Termination of Service
- R14-2-212. Administrative and Hearing Requirements
- R14-2-213. Conservation

ARTICLE 16. RETAIL ELECTRIC COMPETITION

Sections

- R14-2-1601. Definitions
- R14-2-1603. Certificates of Convenience and Necessity
- R14-2-1604. Competitive Phases
- R14-2-1606. Services Required To Be Made Available
- R14-2-1607. Recovery of Stranded Cost of Affected Utilities
- R14-2-1608. System Benefits Charges
- R14-2-1609. Transmission and Distribution Access
- R14-2-1610. In-state Reciprocity
- R14-2-1611. Rates

- 1 R14-2-1612. Service Quality, Consumer Protection, Safety, and Billing Requirements
2 R14-2-1613. Reporting Requirements
3 R14-2-1614. Administrative Requirements
4 R14-2-1616. Code of Conduct
5 R14-2-1617. Disclosure of Information

6 **ARTICLE 2. ELECTRIC UTILITIES**

7 **R14-2-201. Definitions**

8 In this Article, unless the context otherwise requires, the following definitions shall apply. In addition, the definitions
9 contained in Article 16, Retail Electric Competition, shall apply in this Article unless the context otherwise requires.

- 10 1. No change.
11 2. No change.
12 3. No change.
13 4. No change.
14 5. No change.
15 6. No change.
16 7. No change.
17 8. No change.
18 9. No change.
19 10. No change.
20 11. No change.
21 12. No change.
22 13. No change.
23 14. No change.
24 15. No change.
25 16. No change.
26 17. No change.
27 18. No change.
28 19. No change.

- | | | |
|----|-----|---|
| 1 | 20. | No change. |
| 2 | 21. | No change. |
| 3 | 22. | No change. |
| 4 | 23. | No change. |
| 5 | 24. | No change. |
| 6 | 25. | No change. |
| 7 | 26. | No change. |
| 8 | 27. | No change. |
| 9 | 28. | No change. |
| 10 | 29. | No change. |
| 11 | 30. | No change. |
| 12 | 31. | No change. |
| 13 | 32. | No change. |
| 14 | 33. | No change. |
| 15 | 34. | No change. |
| 16 | 35. | No change. |
| 17 | 36. | No change. |
| 18 | 37. | No change. |
| 19 | 38. | No change. |
| 20 | 39. | No change. |
| 21 | 40. | No change. |
| 22 | 41. | No change. |
| 23 | 42. | No change. |
| 24 | 43. | No change. |
| 25 | 44. | No change. |
| 26 | 45. | "Utility". The public service corporation providing electric service to the public in compliance with |
| 27 | | state law, except in those instances set forth in R14-2-1612 (A) and (B). |
| 28 | 46. | No change. |

1 **R14-2-202. Certificate of Convenience and Necessity for Electric Utilities**

2 **A. Application for new Certificate of Convenience and Necessity.**

3 Six copies of each application for a new Certificate of Convenience and Necessity shall be submitted to the
4 Commission, through Docket Control, in a form prescribed by the Commission and shall include, at a minimum,
5 the following information:

- 6 1. The proper name and correct address of the proposed utility company and its owner, if a sole
7 proprietorship, each partner, if a partnership, or the President and Secretary if a corporation.
- 8 2. The rates proposed to be charged for the service that will be rendered.
- 9 3. A financial statement setting forth the financial condition of the applicant.
- 10 4. Maps of the proposed service area or a description of the area proposed to be served.
- 11 5. Appropriate city, county and/or state agency approvals, where appropriate.
- 12 6. The actual number of customers within the service area as of the time of filing and the estimated
13 number of customers to be served for each of the 1st 5 years of operation.
- 14 7. Such other information as the Commission by order or the staff of the Utilities Division by written
15 directive may request.

16 **B. No change.**

17 **R14-2-203. Establishment of Service**

18 **A. Information from new applicants**

- 19 1. A utility may obtain the following minimum information from each new applicant for service:
 - 20 a. Name or names of applicant or applicants.
 - 21 b. Service address or location and telephone number.
 - 22 c. Billing address/telephone number, if different than service address.
 - 23 d. Address where service was provided previously.
 - 24 e. Date applicant will be ready for service.
 - 25 f. Indication of whether premises have been supplied with utility service previously.
 - 26 g. Purpose for which service is to be used.
 - 27 h. Indication of whether applicant is owner or tenant of or agent for the premises.
 - 28 i. Information concerning the energy and demand requirements of the customer.

1 j. Type and kind of life-support equipment, if any, used by the customer.

2 2. Customer-specific information shall not be released without specific prior written customer
3 authorization unless the information is requested by a law enforcement or other public agency, or is
4 requested by the Commission or its staff, or is reasonably required for legitimate account collection
5 activities, or is necessary to provide safe and reliable service to the customer.

6 3. A utility may require a new applicant for service to appear at the utility's designated place of business to
7 produce proof of identity and sign the utility's application form.

8 4. Where service is requested by 2 or more individuals the utility shall have the right to collect the full
9 amount owed to the utility from any 1 of the applicants.

10 **B. Deposits**

11 1. A utility shall not require a deposit from a new applicant for residential service if the applicant is able to
12 meet any of the following requirements:

13 a. The applicant has had service of a comparable nature with the utility within the past 2 years
14 and was not delinquent in payment more than twice during the last 12 consecutive months or
15 disconnected for nonpayment.

16 b. The applicant can produce a letter regarding credit or verification from an electric utility where
17 service of a comparable nature was last received which states applicant had a timely payment
18 history at time of service discontinuance.

19 c. In lieu of a deposit, a new applicant may provide a Letter of Guarantee from a governmental or
20 nonprofit entity or a surety bond as security for the utility.

21 2. The utility may issue a nonnegotiable receipt to the applicant for the deposit. The inability of the
22 customer to produce such a receipt shall in no way impair his or her right to receive a refund of the
23 deposit which is reflected on the utility's records.

24 3. Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and
25 approved by the Commission in a tariff proceeding.

26 4. Each utility shall file a deposit refund procedure with the Commission, through Docket Control, subject
27 to Commission review and approval during a tariff proceeding. However, each utility's refund policy
28 shall include provisions for residential deposits and accrued interest to be refunded or letters of

guarantee or surety bonds to expire after 12 months of service if the customer has not been delinquent more than twice in the payment of utility bills.

5. A utility may require a residential customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of 2 bills within a 12-consecutive-month period or has been disconnected for service during the last 12 months.

6. The amount of a deposit required by the utility shall be determined according to the following terms:

a. Residential customer deposits shall not exceed 2 times that customer's estimated average monthly bill.

b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.

7. The utility may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.

8. A separate deposit may be required for each meter installed.

9. If a Utility Distribution Company's customer with an established deposit elects to take competitive services from an Electric Service Provider, and is not currently delinquent in payments to the Utility Distribution Company, the Utility Distribution Company will refund a portion of the customer's deposit in proportion to the expected decrease in monthly billing. A customer returning to Standard Offer Service may be required to increase an established deposit in proportion to the expected increase in monthly billing.

C. No change.

D. No change.

E. No change.

R14-2-206. Service Lines and Establishments

A. No change.

B. Service lines

1. Customer provided facilities

a. Each applicant for services shall be responsible for all inside wiring including the service entrance and meter socket.

1 b. Meters and service switches in conjunction with the meter shall be installed in a location where
2 the meters will be readily and safely accessible for reading, testing and inspection and where
3 such activities will cause the least interference and inconvenience to the customer. However,
4 the meter locations shall not be on the front exterior wall of the home; or in the carport or
5 garage, unless mutually agreed to between the home builder or customer and the utility. The
6 customer shall provide, without cost to the utility, at a suitable and easily accessible location,
7 sufficient and proper space for installation of meters.

8 c. Where the meter or service line location on the customer's premises is changed at the request
9 of the customer or due to alterations on the customer's premises, the customer shall provide
10 and have installed at his expense all wiring and equipment necessary for relocating the meter
11 and service line connection and the utility may make a charge for moving the meter or service
12 line.

13 2. Company provided facilities

14 a. Each utility shall file, in Docket Control, for Commission approval, a service line tariff which
15 defines the maximum footage or equipment allowance to be provided by the utility at no
16 charge. The maximum footage or equipment allowance may be differentiated by customer
17 class.

18 b. The cost of any service line in excess of that allowed at no charge shall be paid for by the
19 customer as a contribution in aid of construction.

20 c. A customer requesting an underground service line in an area served by overhead facilities
21 shall pay for the difference between an overhead service connection and the actual cost of the
22 underground connection as a nonrefundable contribution.

23 C. No change.

24 R14-2-207. Line Extensions

25 A. General requirements

26 1. Each utility shall file, in Docket Control, for Commission approval, a line extension tariff which
27 incorporates the provisions of this rule and specifically defines the conditions governing line
28 extensions.

- 1 2. Upon request by an applicant for a line extension, the utility shall prepare, without charge, a preliminary
2 sketch and rough estimate of the cost of installation to be paid by said applicant.
- 3 3. Any applicant for a line extension requesting the utility to prepare detailed plans, specifications, or cost
4 estimates may be required to deposit with the utility an amount equal to the estimated cost of
5 preparation. The utility shall, upon request, make available within 90 days after receipt of the deposit
6 referred to above, such plans, specifications, or cost estimates of the proposed line extension. Where
7 the applicant authorizes the utility to proceed with construction of the extension, the deposit shall be
8 credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to
9 include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in
10 the plans, specifications and cost estimates. Subdivisions providing the utility with approved plats shall
11 be provided with plans, specifications, or cost estimates within 45 days after receipt of the deposit
12 referred to above.
- 13 4. Where the utility requires an applicant to advance funds for a line extension, the utility shall furnish the
14 applicant with a copy of the line extension tariff of the appropriate utility prior to the applicant's
15 acceptance of the utility's extension agreement.
- 16 5. All line extension agreements requiring payment by the applicant shall be in writing and signed by each
17 party.
- 18 6. The provisions of this rule apply only to those applicants who in the utility's judgment will be
19 permanent customers of the utility. Applications for temporary service shall be governed by the
20 Commission's rules concerning temporary service applications.

21 B. No change.

22 C. No change.

23 D. No change.

24 E. No change.

25 F. No change.

26 **R14-2-208. Provision of Service**

27 A. No change.

28 B. No change.

1 C. No change.

2 D. Service interruptions

- 3 1. Each utility shall make reasonable efforts to reestablish service within the shortest possible time when
4 service interruptions occur.
- 5 2. Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and
6 each utility shall issue instructions to its employees covering procedures to be followed in the event of
7 emergency in order to prevent or mitigate interruption or impairment of service.
- 8 3. In the event of a national emergency or local disaster resulting in disruption of normal service, the
9 utility may, in the public interest, interrupt service to other customers to provide necessary service to
10 civil defense or other emergency service agencies on a temporary basis until normal service to these
11 agencies can be restored.
- 12 4. When a utility plans to interrupt service for more than 4 hours to perform necessary repairs or
13 maintenance, the utility shall attempt to inform affected customers at least 24 hours in advance of the
14 scheduled date and estimated duration of the service interruption. Such repairs shall be completed in
15 the shortest possible time to minimize the inconvenience to the customers of the utility.
- 16 5. The Commission, Consumer Services Section, shall be notified of interruption in service affecting the
17 entire system or any significant portion thereof. The interruption of service and cause shall be reported
18 by telephone to the Commission within 2 hours after the responsible representative of the utility
19 becomes aware of said interruption and followed by a written report to the Commission.

20 E. Curtailment

21 Each utility shall file with the Commission, through Docket Control, as a part of its general tariffs a procedural
22 plan for handling severe supply shortages or service curtailments. The plan shall provide for equitable treatment
23 of individual customer classes in the most reasonable and effective manner given the existing circumstances.
24 When the availability of service is so restricted that the reduction of service on a proportionate basis to all
25 customer classes will not maintain the integrity of the total system, the utility shall develop procedures to curtail
26 service giving service priority to those customers and customer classes where health, safety and welfare would
27 be adversely affected.

28 F. No change.

1 **R14-2-209. Meter Reading**

2 **A. Company or customer meter reading**

- 3 1. Each utility, billing entity or Meter Reading Service Provider may at its discretion allow for customer
4 reading of meters.
- 5 2. It shall be the responsibility of the utility or Meter Reading Service Provider to inform the customer
6 how to properly read his or her meter.
- 7 3. Where a customer reads his or her own meter, the utility or Meter Reading Service Provider will read
8 the customer's meter at least once every 6 months.
- 9 4. The utility, billing entity, or Meter Reading Service Provider shall provide the customer with postage-
10 paid cards or other methods to report the monthly reading.
- 11 5. Each utility or Meter Reading Service Provider shall specify the timing requirements for the customer
12 to submit his or her monthly meter reading to conform with the utility's billing cycle.
- 13 6. Where the Electric Service Provider is responsible for meter reading, reads will be available for the
14 Utility Distribution Company's or billing entity's billing cycle for that customer, or as otherwise agreed
15 upon by the Electric Service Provider and the Utility Distribution Company or billing entity.
- 16 7. In the event the customer fails to submit the reading on time, the utility or billing entity may issue the
17 customer an estimated bill.
- 18 8. In the event the Electric Service Provider responsible for meter reading fails to deliver reads to the
19 Meter Reader Service Provider server within 3 days of the scheduled cycle read date, the Affected
20 Utility may estimate the reads. In the event the Affected Utility responsible for meter reading fails to
21 deliver reads to the Meter Reader Service Provider server within 3 days of the scheduled cycle read
22 date, the Electric Service Provider may estimate the reads.
- 23 9. Meters shall be read monthly on as close to the same day as practical.

24 **B. No change.**

25 **C. No change.**

26 **D. No change.**

27 **E. Meter testing and maintenance program.**

28

1 1. Each utility shall file with the Commission, through the Compliance Section, a plan for the routine
2 maintenance and replacement of meters which meets the requirements of the 1995 edition (and no
3 future editions) of ANSI C12.1 (American National Standard Code for Electricity Metering),
4 incorporated by reference and on file with the Office of the Secretary of State. Copies are available
5 from the Institute of Electrical and Electronics Engineers, Inc., 345 East 47th Street, New York, New
6 York 10017.

7 2. Each utility shall file an annual report with the Commission, through Docket Control, summarizing the
8 results of the meter maintenance and testing program for that year. At a minimum, the report should
9 include the following data:

10 a. Total number of meters tested, at company initiative or upon customer request.

11 b. Number of meters tested which were outside the acceptable error allowance of +3%.

12 F. No change.

13 **R14-2-211. Termination of Service**

14 A. Nonpermissible reasons to disconnect service. A utility may not disconnect service for any of the reasons stated
15 below:

16 1. Delinquency in payment for services rendered to a prior customer at the premises where service is being
17 provided, except in the instance where the prior customer continues to reside on the premises.

18 2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.

19 3. Nonpayment of a bill related to another class of service.

20 4. Failure to pay for a bill to correct a previous underbilling due to an inaccurate meter or meter failure if
21 the customer agrees to pay over a reasonable period of time.

22 5. A utility shall not terminate residential service where the customer has an inability to pay and:

23 a. The customer can establish through medical documentation that, in the opinion of a licensed
24 medical physician, termination would be especially dangerous to the health of a customer or a
25 permanent resident residing on the customer's premises, or

26 b. Life supporting equipment used in the home that is dependent on utility service for operation
27 of such apparatus, or
28

1 c. Where weather will be especially dangerous to health as defined herein or as determined by the
2 Commission.

3 6. Residential service to ill, elderly, or handicapped persons who have an inability to pay will not be
4 terminated until all of the following have been attempted:

5 a. The customer has been informed of the availability of funds from various government and
6 social assistance agencies of which the utility is aware.

7 b. A 3rd party previously designated by the customer has been notified and has not made
8 arrangements to pay the outstanding utility bill.

9 7. A customer utilizing the provisions of subsection (4) or (5) above may be required to enter into a
10 deferred payment agreement with the utility within 10 days after the scheduled termination date.

11 8. Disputed bills where the customer has complied with the Commission's rules on customer bill disputes.

12 B. No change.

13 C. No change.

14 D. No change.

15 E. No change.

16 F. No change.

17 **R14-2-212. Administrative and Hearing Requirements**

18 A. No change.

19 B. No change.

20 C. No change.

21 D. Notice by utility of responsible officer or agent

22 1. Each utility shall file with the Commission, through Docket Control, a written statement containing the
23 name, address (business, residence and post office) and telephone numbers (business and residence) of
24 at least 1 officer, agent or employee responsible for the general management of its operations as a utility
25 in Arizona.

26 2. Each utility shall give notice, by filing a written statement with the Commission, through Docket
27 Control, of any change in the information required herein within 5 days from the date of any such
28 change.

1 E. Timeframes for processing applications for Certificates of Convenience and Necessity

- 2 1. This rule prescribes timeframes for the processing of any application for a Certificate of Convenience
3 and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These
4 timeframes shall apply to applications filed on or after the effective date of this rule.
- 5 2. Within 120 calendar days after receipt of an application for a new Certificate of Convenience and
6 Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity,
7 staff shall notify the applicant, in writing, that the application is either administratively complete or
8 deficient. If the application is deficient, the notice shall specify all deficiencies.
- 9 3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar
10 days of the notice of deficiency.
- 11 4. After receipt of a corrected application, staff shall notify the applicant within 90 calendar days if the
12 corrected application is either administratively complete or deficient. The timeframe for administrative
13 completeness review shall be suspended from the time the notice of deficiency is issued until staff
14 determines that the application is complete.
- 15 5. Within 150 days after an application is deemed administratively complete, the Commission shall
16 approve or reject the application.
- 17 6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following timeframes:
- 18 a. Administrative completeness review timeframe: 120 calendar days;
19 b. Substantive review timeframe: 150 calendar days; and
20 c. Overall timeframe: 270 calendar days.
- 21 7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall
22 be tolled from the date of the request during the duration of the extension or continuance.
- 23 8. During the substantive review timeframe, the Commission may, upon its own motion or that of any
24 interested party to the proceeding, request a suspension of the timeframe rules.

25 F. Filing of tariffs

- 26 1. Each utility shall file with the Commission, through Docket Control, tariffs which are in compliance
27 with the rules and regulations promulgated by the Arizona Corporation Commission within 120 days of
28 the effective date of such rules.

1 2. Each utility shall file with the Commission, through Docket Control, any proposed changes to the tariffs
2 on file with the Commission; such proposed changes shall be accompanied by a statement of
3 justification supporting the proposed tariff change.

4 3. Any proposed change to the tariffs on file with the Commission shall not be effective until reviewed
5 and approved by the Commission.

6 **G. Accounts and records**

7 1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties,
8 operating income and expense, assets and liabilities, and all other accounting and statistical data
9 necessary to give complete and authentic information as to its properties and operations.

10 2. Each utility shall maintain its books and records in conformity with the Uniform Systems of Accounts
11 for Class A, B, C and D Electric Utilities as adopted and amended by the Federal Energy Regulatory
12 Commission or, for electric cooperatives, as promulgated by the Rural Utilities Service.

13 3. A utility shall produce or deliver in this state any or all of its formal accounting records and related
14 documents requested by the Commission. It may, at its option, provide verified copies of original
15 records and documents.

16 4. All utilities shall submit an annual report to the Commission, through the Compliance Section, Utilities
17 Division, on a form prescribed by it. The annual report shall be filed on or before the 15th day of April
18 for the preceding calendar year. Reports prepared by a certified or licensed public accountant on the
19 utility, if any, shall accompany the annual report.

20 5. All utilities shall file with the Commission, through the Compliance Section, Utilities Division, a copy
21 of all annual reports required by the Federal Energy Regulatory Commission and in addition, for
22 electric cooperatives, annual reports required by the Rural Utilities Service.

23 **H. Maps.** All utilities shall file with the Commission, through Docket Control, a map or maps clearly setting forth
24 the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in
25 accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by
26 metes and bounds with a starting point determined by the aforesaid Cadastral Survey.

27 **I. No change.**

28 **J. No change.**

1 **R14-2-213. Conservation**

2 **Energy conservation plan**

3 1. The Arizona Corporation Commission recognizes the need for conservation of energy resources in
4 order to maintain an adequate and continuous supply of safe, dependable, and affordable energy.
5 Therefore, in order to promote the state's economic development and the health and welfare of its
6 citizenry, each class A and B electric utility shall file an energy conservation plan which encompasses
7 at a minimum the following considerations:

8 a. Development of consumer education and assistance programs to aid the populace in reducing
9 energy consumption and cost.

10 b. Participation in various energy conservation programs sponsored by other municipal, state or
11 federal government entities having such jurisdiction.

12 2. Each utility shall file an energy conservation plan with the Commission, through the Compliance
13 Section, Utilities Division, within 1 year of the effective date of these rules and annual updates
14 thereafter when changes require such.

15 **ARTICLE 16. RETAIL ELECTRIC COMPETITION**

16 **R14-2-1601. Definitions**

17 In this Article, unless the context otherwise requires:

18 1. No change.

19 2. No change.

20 3. No change.

21 4. No change.

22 5. No change.

23 6. No change.

24 7. "Competitive Services" means all aspects of retail electric service except those services specifically
25 defined as "Noncompetitive Services" pursuant to R14-2-1601(29) or noncompetitive services as
26 defined by the Federal Energy Regulatory Commission.

27 8. No change.

28 9. No change.

- 1 10. No change.
- 2 11. No change.
- 3 12. No change.
- 4 13. No change.
- 5 14. No change.
- 6 15. No change.
- 7 16. No change.
- 8 17. No change.
- 9 18. No change.
- 10 19. No change.
- 11 20. No change.
- 12 21. No change.
- 13 22. No change.
- 14 23. No change.
- 15 24. No change.
- 16 25. No change.
- 17 26. No change.
- 18 27. No change.
- 19 28. No change.
- 20 29. No change.
- 21 30. No change.
- 22 31. No change.
- 23 32. "Potential Transformer (PT)/Voltage Transformer (VT)" is an electrical device used to step down
- 24 primary voltages to 120V for metering purposes.
- 25 33. "Provider of Last Resort" means a provider of Standard Offer Service to customers within the
- 26 provider's certificated area whose annual usage is 100,000 kWh or less and who are not buying
- 27 Competitive Services.
- 28 34. No change.

- 1 35. No change.
- 2 36. No change.
- 3 37. No change.
- 4 38. No change.
- 5 39. No change.
- 6 40. No change.
- 7 41. No change.
- 8 42. No change.
- 9 43. No change.
- 10 44. No change.
- 11 45. No change.
- 12 46. No change.

13 **R14-2-1603. Certificates of Convenience and Necessity**

- 14 **A.** No change.
- 15 **B.** No change.
- 16 **C.** No change.
- 17 **D.** No change.
- 18 **E.** At the time of filing for a Certificate of Convenience and Necessity, each applicant shall notify the Affected
19 Utilities, Utility Distribution Companies, or an electric utility not subject to the jurisdiction of the Arizona
20 Corporation Commission in whose service territories it wishes to offer service of the application by providing a
21 copy of the application to the Affected Utilities, Utility Distribution Companies, or an electric utility not subject
22 to the jurisdiction of the Arizona Corporation Commission. No later than 10 days after application is filed, each
23 applicant shall provide written notice to the Commission, through Docket Control, that it has provided
24 notification to each of the respective Affected Utilities, Utility Distribution Companies, or an electric utility not
25 subject to the jurisdiction of the Arizona Corporation Commission. The attachment to the CC&N application
26 should include a listing of the names and addresses of the notified Affected Utilities, Utility Distribution
27 Companies, or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission.
- 28 **F.** No change.

1 G. The Commission may deny certification to any applicant who:

- 2 1. Does not provide the information required by this Article;
- 3 2. Does not possess adequate technical or financial capabilities to provide the proposed services;
- 4 3. Seeks certification as a Load-Serving Entity and does not have an Electric Service Provider Service
- 5 Acquisition Agreement with a Utility Distribution Company and Scheduling Coordinator, if the
- 6 applicant is not its own Scheduling Coordinator;
- 7 4. Fails to provide a performance bond, if required;
- 8 5. Fails to demonstrate that its certification will serve the public interest;
- 9 6. Seeks certification as a Load-Serving Entity and fails to submit an executed Service Acquisition
- 10 Agreement with a Utility Distribution Company or a Scheduling Coordinator for approval by the
- 11 Director, Utilities Division, prior to the offering of service to potential customers. Agreements are to be
- 12 filed with the Compliance Section, Utilities Division.

13 H. No change.

14 I. Every Electric Service Provider obtaining a Certificate of Convenience and Necessity under this Article shall
15 obtain certification subject to the following conditions:

- 16 1. The Electric Service Provider shall comply with all Commission rules, orders, and other requirements
- 17 relevant to the provision of electric service;
- 18 2. The Electric Service Provider shall maintain accounts and records as required by the Commission;
- 19 3. The Electric Service Provider shall file with the Director, Utilities Division, through the Compliance
- 20 Section, all financial and other reports that the Commission may require and in a form and at such times
- 21 as the Commission may designate;
- 22 4. The Electric Service Provider shall maintain on file with the Commission all current tariffs and any
- 23 service standards that the Commission shall require;
- 24 5. The Electric Service Provider shall cooperate with any Commission investigation of customer
- 25 complaints;
- 26 6. The Electric Service Provider shall obtain all necessary permits and licenses, including relevant tax
- 27 licenses;
- 28 7. The Electric Service Provider shall comply with all disclosure requirements pursuant to R14-2-1617;

8. Failure to comply with any of the above conditions may result in rescission of the Electric Service Provider's Certificate of Convenience and Necessity.

J. No change.

K. Timeframes for processing applications for Certificates of Convenience and Necessity

1. This rule prescribes timeframes for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These timeframes shall apply to applications filed on or after the effective date of this rule.

2. Within 120 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.

3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

4. After receipt of a corrected application, staff shall notify the applicant within 90 calendar days if the corrected application is either administratively complete or deficient. The timeframe for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.

5. Within 180 calendar days after an application is deemed administratively complete, the Commission shall approve or reject the application.

6. For purposes of A.R.S. § 41-1072, et seq., the Commission has established the following timeframes:

a. Administrative completeness review timeframe: 120 calendar days;

b. Substantive review timeframe: 180 calendar days;

c. Overall timeframe: 300 calendar days.

7. If an applicant requests, and is granted, an extension or continuance, the appropriate timeframes shall be tolled from the date of the request during the duration of the extension or continuance.

8. During the substantive review timeframe, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the timeframe rules.

R14-2-1604. Competitive Phases

1 A. No change.

2 B. As part of the minimum 20% of 1995 system peak demand set forth in subsection (A), each Affected Utility
3 shall reserve a residential phase-in program that provides an increasing minimum percentage of residential
4 customers with access to competitive electric services according to the following schedule:

5 1. January 1, 1999 1 1/4 %

6 April 1, 1999 2 1/2 %

7 July 1, 1999 3 3/4 %

8 October 1, 1999 5 %

9 January 1, 2000 6 1/4 %

10 April 1, 2000 7 1/2 %

11 July 1, 2000 8 3/4 %

12 October 1, 2000 10 %

13 2. Access to the residential phase-in program will be on a first-come, first-served basis. The Affected
14 Utility shall create and maintain a waiting list to manage the residential phase-in program, which list
15 shall promptly be made available to any certificated Load-Serving Electric Service Provider upon
16 request.

17 3. Residential customers participating in the residential phase-in program shall be permitted to use load
18 profiling to satisfy the requirements for hourly consumption data; however, they may choose other
19 metering options offered by their Electric Service Provider consistent with the Commission's rules on
20 metering.

21 4. If not already done, each Affected Utility shall file a residential phase-in program proposal to the
22 Commission, through Docket Control, for approval by Director, Utilities Division, by September 15,
23 1999. Interested parties will have until September 30, 1999, to comment on any proposal. At a
24 minimum, the residential phase-in program proposal will include specifics concerning the Affected
25 Utility's proposed:

26 a. Process for customer notification of residential phase-in program;

27 b. Selection and tracking mechanism for customers based on first-come, first-served method;
28

- c. Customer notification process and other education and information services to be offered;
- d. Load Profiling methodology and actual load profiles, if available; and
- e. Method for calculation of reserved load.

5. After the commencement of competition under R14-2-1602, each Affected Utility shall file quarterly residential phase-in program reports with the Compliance Section, Utilities Division, within 45 days of the end of each quarter. The 1st such report shall be due within 45 days of the 1st quarter ending after the start of the phase-in of competition for that Affected Utility. The final report due under this rule shall be due within 45 days of the quarter ending December 31, 2002. As a minimum, these quarterly reports shall include:

- a. The number of customers and the load currently enrolled in residential phase-in program by Energy Service Provider,
- b. The number of customers currently on the waiting list,
- c. A description and examples of all customer education programs and other information services including the goals of the education program and a discussion of the effectiveness of the programs, and
- d. An overview of comments and survey results from participating residential customers.

6. Aggregation or Self-Aggregation of residential customers is allowed subject to the limitations of the phase-in percentages in this rule.

C. No change.

D. No change.

E. No change.

F. No change.

R14-2-1606. Services Required to be Made Available

A. No change.

B. No change.

C. Standard Offer Tariffs

1. By July 1, 1999, or pursuant to Commission Order, whichever occurs 1st, each Affected Utility shall file proposed tariffs to provide Standard Offer Service. Such rates shall not become effective until

1 approved by the Commission. Any rate increase proposed by an Affected Utility or Utility Distribution
2 Company for Standard Offer Service must be fully justified through a rate case proceeding.

3 2. Standard Offer Service tariffs shall include the following elements, each of which shall be clearly
4 unbundled and identified in the filed tariffs:

5 a. Competitive Services:

- 6 i. Generation, which shall include all transaction costs and line losses;
- 7 ii. Competition Transition Charge, which shall include recovery of generation related
8 regulatory assets;
- 9 iii. Generation-related billing and collection;
- 10 iv. Transmission Services;
- 11 v. Metering Services;
- 12 vi. Meter Reading Services; and
- 13 vii. Optional Ancillary Services, which shall include spinning reserve service,
14 supplemental reserve, regulation and frequency response service, and energy
15 imbalance service.

16 b. Non-Competitive Services:

- 17 i. Distribution services;
- 18 ii. Required Ancillary services, which shall include scheduling, system control and
19 dispatch service, and reactive supply and voltage control from generation sources
20 service;
- 21 iii. Must-Run Generating Units;
- 22 iv. System Benefit Charges; and
- 23 v. Distribution-related billing and collection.

24 3. Affected Utilities and Utility Distribution Companies may file proposed revisions to such rates with the
25 Commission through Docket Control. Any rate increase proposed by an Affected Utility or Utility
26 Distribution Company for Standard Offer Service must be fully justified through a rate case proceeding,
27 which may be expedited at the discretion of the Utilities Division Director.

28 4. Such rates shall reflect the costs of providing the service.

1 5. Consumers receiving Standard Offer Service are eligible for potential future rate reductions as
2 authorized by the Commission.

3 6. After January 2, 2001, tariffs for Standard Offer Service shall not include any special discounts or
4 contracts with terms, or any tariff which prevents the customer from accessing a competitive option,
5 other than time-of-use rates, interruptible rates, or self-generation deferral rates.

6 D. By the effective date of these rules, or pursuant to Commission Order, whichever occurs 1st, each Affected
7 Utility or Utility Distribution Company shall file an Unbundled Service tariff that shall include a Noncompetitive
8 Services tariff. The Unbundled Service tariff shall calculate the items listed in R14-2-1606(C)(2)(b) on the same
9 basis as those items are calculated in the Standard Offer Service tariff.

10 E. No change.

11 F. No change.

12 G. Customer Data

13 1. Upon written authorization by the customer, a Load-Serving Entity shall release in a timely and useful
14 manner that customer's billing data, including consumption, demand, and power factor (if available), for
15 the most recent 12-month period to a customer-specified properly certificated Electric Service Provider.

16 2. The Electric Service Provider requesting such customer data shall provide an accurate account number
17 for the customer.

18 3. The form of data shall be mutually agreed upon by the parties and such data shall not be unreasonably
19 withheld.

20 4. Utility Distribution Companies shall be allowed access to the Meter Reading Service Provider server
21 for customers served by the Utility Distribution Company's distribution system.

22 H. No change.

23 I. Electric Service Providers offering Competitive Services under this R14-2-1606 shall provide adequate
24 supporting documentation for their proposed rates. Where rates are approved by another jurisdiction, such as the
25 Federal Energy Regulatory Commission, those rates shall be provided as part of the supporting documentation.

26 **R14-2-1607. Recovery of Stranded Cost of Affected Utilities**

27 A. No change.

28 B. No change.

1 C. No change.

2 D. No change.

3 E. No change.

4 F. No change.

5 G. No change.

6 H. No change.

7 I. The Commission may, after notice and hearing, order regular revisions to estimates of the magnitude of Stranded
8 Cost.

9 **R14-2-1608. System Benefits Charges**

10 A. Each Affected Utility or Utility Distribution Company shall file for Commission review non-by passable rates or
11 related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the
12 Affected Utility's or Utility Distribution Company's service area. Affected Utilities or Utility Distribution
13 Companies shall file for review of the Systems Benefits Charge at least every 3 years. The amount collected
14 annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' or Utility
15 Distribution Companies' Commission-approved System Benefits. Filings shall be made with the Commission
16 through Docket Control.

17 B. No change.

18 C. No change.

19 **R14-2-1609. Transmission and Distribution Access**

20 A. No change.

21 B. No change.

22 C. The Commission supports the development of a Federal Energy Regulatory Commission-approved Regional
23 Transmission Organization (RTO), an Independent System Operator (ISO) or, absent a Regional Transmission
24 Organization or an Independent System Operator, an Arizona Independent Scheduling Administrator (AISA).
25 The Commission believes that such organizations are necessary in order to provide nondiscriminatory retail
26 access and to facilitate a robust and efficient electricity market.

27 D. Affected Utilities that own or operate Arizona transmission facilities shall form an Arizona Independent
28 Scheduling Administrator which shall file with the Federal Energy Regulatory Commission within 60 days of

1 this Commission's adoption of final rules herein, for approval of an Independent Scheduling Administrator
2 having the following characteristics:

- 3 1. The Arizona Independent Scheduling Administrator shall calculate Available Transmission Capacity
4 (ATC) for Arizona transmission facilities that belong to the Affected Utilities or other Arizona
5 Independent Scheduling Administrator participants and shall develop and operate an overarching
6 statewide OASIS.
- 7 2. The Arizona Independent Scheduling Administrator shall implement and oversee the nondiscriminatory
8 application of operating protocols to ensure statewide consistency for transmission access. These
9 operating protocols shall include, but are not limited to, protocols for determining transmission system
10 transfer capabilities, committed uses of the transmission system, available transfer capabilities, Must-
11 Run Generating Units, energy scheduling, and energy imbalances.
- 12 3. The Arizona Independent Scheduling Administrator shall provide dispute resolution processes that
13 enable market participants to expeditiously resolve claims of discriminatory treatment in the
14 reservation, scheduling, use, and curtailment of transmission services.
- 15 4. All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of
16 the use of Arizona transmission facilities that belong to the Affected Utilities or other Arizona
17 Independent Scheduling Administrator participants shall be made to, or through, the Arizona
18 Independent Scheduling Administrator using a single, standardized procedure.
- 19 5. The Arizona Independent Scheduling Administrator shall implement a transmission planning process
20 that includes all Arizona Independent Scheduling Administrator participants and aids in identifying the
21 timing and key characteristics of required reinforcements to Arizona transmission facilities to assure
22 that the future load requirements of all participants will be met.

23 E. If not previously filed, theThe Affected Utilities that own or operate Arizona transmission facilities shall file a
24 proposed Arizona Independent Scheduling Administrator implementation plan with the Commission, through
25 Docket Control, within 30 days of the Commission's adoption of final rules herein. The implementation plan
26 shall address Arizona Independent Scheduling Administrator governance, incorporation, financing, and staffing;
27 the acquisition of physical facilities and staff by the Arizona Independent Scheduling Administrator; the
28 schedule for the phased development of Arizona Independent Scheduling Administrator functionality and

1 proposed transition to a regional Independent System Operator or Regional Transmission Organization;
2 contingency plans to ensure that critical functionality is in place no later than 3 months following adoption of
3 final rules herein by the Commission; and any other significant issues related to the timely and successful
4 implementation of the Arizona Independent Scheduling Administrator.

5 F. Each of the Affected Utilities shall make good faith efforts to develop a regional, multi-state Independent System
6 Operator or Regional Transmission Organization, to which the Arizona Independent Scheduling Administrator
7 should transfer its relevant assets and functions and characteristics as specified in R14-2-1609(D) as the
8 Independent System Operator or Regional Transmission Organization becomes able to carry out those functions.
9 Absent Federal Energy Regulatory Commission approval of an Arizona Independent Scheduling Administrator,
10 the functions and characteristics as specified in R14-2-1609(D) will be assumed by the Independent System
11 Operator or Regional Transmission Organization.

12 G. It is the intent of the Commission that prudently-incurred costs incurred by the Affected Utilities in the
13 establishment and operation of the Arizona Independent Scheduling Administrator, and subsequently the
14 Independent System Operator or Regional Transmission Organization, should be recovered from customers
15 using the transmission system, including the Affected Utilities' wholesale customers, Standard Offer retail
16 customers, and competitive retail customers on a nondiscriminatory basis through Federal Energy Regulatory
17 Commission-regulated prices. Proposed rates for the recovery of such costs shall be filed with the Federal
18 Energy Regulatory Commission and this Commission through Docket Control. In the event that the Federal
19 Energy Regulatory Commission does not permit recovery of prudently incurred Independent Scheduling
20 Administrator costs within 90 days of the date of making an application with the Federal Energy Regulatory
21 Commission, the Commission may authorize Affected Utilities to recover such costs through a distribution
22 surcharge.

23 H. The Commission supports the use of "Scheduling Coordinators" to provide aggregation of customers' schedules
24 to the Independent Scheduling Administrator and the respective Control Area Operators simultaneously until the
25 implementation of a regional Independent System Operator or Regional Transmission Organization, at which
26 time the schedules will be submitted to the Independent System Operator or Regional Transmission
27 Organization. The primary duties of Scheduling Coordinators are to:

- 28 1. Forecast their customers' load requirements;

2. Submit balanced schedules (that is, schedules for which total generation is equal to total load of the Scheduling Coordinator's customers plus appropriate transmission and distribution line losses) and North American Electric Reliability Council/Western Systems Coordinating Council tags;
3. Arrange for the acquisition of the necessary transmission and ancillary services;
4. Respond to contingencies and curtailments as directed by the Control Area Operators, Arizona Independent Scheduling Administrator, or Independent System Operator or Regional Transmission Organization;
5. Actively participate in the schedule checkout process and the settlement processes of the Control Area Operators, Arizona Independent Scheduling Administrator, or Independent System Operator or Regional Transmission Organization.

I. The Affected Utilities and Utility Distribution Companies shall provide services from the Must-Run Generating Units to Standard Offer Service retail customers and competitive retail customers on a comparable, nondiscriminatory basis at regulated prices. The Affected Utilities shall specify the obligations of the Must-Run Generating Units in appropriate sales contracts prior to any divestiture. Under auspices of the Arizona Independent Scheduling Administrator, the Affected Utilities and other stakeholders shall develop statewide protocols for pricing and availability of services from Must-Run Generating Units. These protocols shall be filed with Docket Control for Commission review and, when appropriate, approval, prior to being filed with the Federal Energy Regulatory Commission in conjunction with the Arizona Independent Scheduling Administrator tariff filing. Fixed Must-Run Generating Units costs are to be recovered through a regulated charge to end-use customers. This charge must be set by the Commission as part of the end-use customer distribution service charges.

J. No change.

R14-2-1610. In-state Reciprocity

A. The service territories of Arizona electric utilities that are not Affected Utilities or Public Power Entities shall not be open to competition under the provisions of this Article, nor shall Arizona electric utilities which are not Affected Utilities be able to compete for sales in the service territories of the Affected Utilities.

B. An Arizona electric utility, subject to the jurisdiction of the Commission, that is not an Affected Utility or a Public Power Entity may voluntarily participate under the provisions of this Article if it makes its service

territory available for competing sellers, if it agrees to all of the requirements of this Article, and if it obtains an appropriate Certificate of Convenience and Necessity.

C. An Arizona electric utility, not subject to the jurisdiction of the Commission, and that is not a Public Power Entity, may submit a statement to the Commission, through Docket Control, stating that it voluntarily opens its service territory for competing sellers in a manner similar to the provisions of this Article. Such statement shall be accompanied by the electric utility's nondiscriminatory Standard Offer Tariff, electric supply tariffs, Unbundled Services rates, Stranded Cost charges, System Benefits charges, Distribution Services charges and any other applicable tariffs and policies for services the electric utility offers, for which these rules otherwise require compliance by Affected Utilities or Electric Service Providers. Such filings shall serve as authorization for such electric utility to utilize the Commission's Rules of Practice and Procedure and other applicable rules concerning any complaint that an Affected Utility or Electric Service Provider is violating any provision of this Article or is otherwise discriminating against the filing electric utility or failing to provide just and reasonable rates in tariffs filed under this Article.

D. No change.

E. An affiliate of an Arizona electric utility which is not an Affected Utility or a Public Power Entity shall not be allowed to compete in the service territories of Affected Utilities unless the affiliate's parent company, the nonaffected electric utility, submits a statement to the Commission, through Docket Control, indicating that the parent company will voluntarily open its service territory for competing sellers in a manner similar to the provisions of this Article and the Commission makes a finding to that effect.

R14-2-1611. Rates

A. No change.

B. No change.

C. Prior to January 1, 2001, competitively negotiated contracts governed by this Article customized to individual customers which comply with approved tariffs do not require further Commission approval. However, all such contracts whose term is 1 year or more and for service of 1 MW or more must be filed with the Director, Utilities Division, through the Compliance Section, as soon as practicable. If a contract does not comply with the provisions of the Load Serving Entity's approved tariffs, it shall not become effective without a Commission order. The provisions of such contracts shall be kept confidential by the Commission.

1 D. No change.

2 E. No change.

3 F. Requests for changes in maximum rates or changes in terms and conditions of previously approved tariffs may
4 be filed with the Commission, through Docket Control. Such changes shall become effective only upon
5 Commission approval.

6 **R14-2-1612. Service Quality, Consumer Protection, Safety, and Billing Requirements**

7 A. No change.

8 B. No change.

9 C. No consumer shall be deemed to have changed providers of any service authorized in this Article (including
10 changes from the Affected Utility to another provider) without written authorization by the consumer for service
11 from the new provider. If a consumer is switched to a different ("new") provider without such written
12 authorization, the new provider shall cause service by the previous provider to be resumed and the new provider
13 shall bear all costs associated with switching the consumer back to the previous provider. A new provider who
14 switches a customer without written authorization shall also refund to the retail electricity customer the entire
15 amount of the customer's electricity charges attributable to the electric generation service from the new provider
16 for 3 months, or the period of the unauthorized service, whichever is more. A Utility Distribution Company may
17 request the Commission's Consumer Services Section to review or audit written authorizations to assure a
18 customer switch was properly authorized. A written authorization that is obtained by deceit or deceptive
19 practices shall not be deemed a valid written authorization. Electric Service Providers shall submit reports
20 within 30 days of the end of each calendar quarter to the Commission, through the Compliance Section, Utilities
21 Division, itemizing the direct complaints filed by customers who have had their Electric Service Providers
22 changed without their authorization. Violations of the Commission's rules concerning unauthorized changes of
23 providers may result in penalties, or suspension or revocation of the provider's certificate. The following
24 requirements and restrictions shall apply to the written authorization form requesting electric service from the
25 new provider:

- 26 1. The authorization shall not contain any inducements;
- 27 2. The authorization shall be in legible print with clear and plain language confirming the rates, terms,
28 conditions and nature of the service to be provided;

1 3. The authorization shall not state or suggest that the customer must take action to retain the customer's
2 current electricity supplier;

3 4. The authorization shall be in the same language as any promotional or inducement materials provided to
4 the retail electric customer; and

5 5. No box or container may be used to collect entries for sweepstakes or a contest that, at the same time, is
6 used to collect authorization by a retail electric customer to change their electricity supplier or to
7 subscribe to other services.

8 **D.** No change.

9 **E.** Customer-specific information shall not be released without specific prior written customer authorization unless
10 the information is requested by a law enforcement or other public agency, or is requested by the Commission or
11 its Staff, or is reasonably required for legitimate account collection activities, or is necessary to provide safe and
12 reliable service to the customer.

13 **F.** Each Electric Service Provider providing service governed by this Article shall be responsible for meeting
14 applicable reliability standards and shall work cooperatively with other companies with whom it has
15 interconnections, directly or indirectly, to ensure safe, reliable electric service. Utility Distribution Companies
16 shall make reasonable efforts to notify customers of scheduled outages and also provide notification to the
17 Commission.

18 **G.** Each Electric Service Provider shall provide at least 45 days' written notice to all of its affected consumers of its
19 intent to cease providing generation, transmission, distribution, or ancillary services necessitating that the
20 consumer obtain service from another supplier of generation, transmission, distribution, or ancillary services.

21 **H.** All Electric Service Providers rendering service under this Article shall submit accident reports, through the
22 Compliance Section, as required in R14-2-101.

23 **I.** An Electric Service Provider providing firm electric service governed by this Article shall make reasonable
24 efforts to reestablish service within the shortest possible time when service interruptions occur and shall work
25 cooperatively with other companies to ensure timely restoration of service where facilities are not under the
26 control of the Electric Service Provider.

27 **J.** Electric Service Providers shall give at least 5 days notice to their customer of scheduled return to Standard
28 Offer Service. Electric Service Providers shall provide 15 calendar days' notice prior to the next scheduled meter

1 read date to the appropriate Utility Distribution Company regarding the intent to terminate a service agreement.
2 Return of that customer to Standard Offer Service will be at the next regular billing cycle if appropriate metering
3 equipment is in place and the request is provided 15 calendar days prior to the next regular meter read date.
4 Responsibility for charges incurred between the notice and the next scheduled read date shall rest with the
5 Electric Service Provider.

6 K. Each Electric Service Provider shall ensure that bills rendered on its behalf include its address and toll-free
7 telephone numbers for billing, service, and safety inquiries. The bill must also include the address and toll-free
8 telephone numbers for the Phoenix and Tucson Consumer Service Sections of the Arizona Corporation
9 Commission Utilities Division. Each Electric Service Provider shall ensure that billing and collections services
10 rendered on its behalf comply with subsection (A).

11 L. Additional Provisions for Metering and Meter Reading Services

- 12 1. When authorized by the consumer, an Electric Service Provider who provides metering or meter
13 reading services pertaining to a particular consumer shall provide appropriate meter reading data via
14 standardized formats, approved by the Director, Utilities Division, to all applicable Electric Service
15 Providers serving that same consumer.
- 16 2. Any person or entity relying on metering information provided by an Electric Service Provider may
17 request a meter test according to the tariff on file and approved by the Commission. However, if the
18 meter is found to be in error by more than 3%, no meter testing fee will be charged.
- 19 3. Each competitive point of delivery shall be assigned a Universal Node Identifier by the Affected Utility
20 or the Utility Distribution Company whose distribution system serves the customer.
- 21 4. Unless the Commission grants a specific waiver, all competitive metered and billing data shall be
22 translated into consistent, statewide formats, approved by the Director, Utilities Division, that shall be
23 used by the Affected Utility or the Utility Distribution Company and the Electric Service Provider.
- 24 5. Unless the Commission grants a specific waiver, the standardized data exchange formats approved by
25 the Director, Utilities Division, shall be used for all data exchange transactions from the Meter Reading
26 Service Provider to the Electric Service Provider, Utility Distribution Company, and Schedule
27 Coordinator. This data will be transferred via the Internet using a secure sockets layer or other secure
28 electronic media.

6. Minimum metering requirements for competitive customers over 20 kW, or 100,000 kWh annually, should consist of hourly consumption measurement meters or meter systems. Predictable loads will be permitted to use load profiles to satisfy the requirements for hourly consumption data. The Load-Serving Entity developing the load profile shall determine if a load is predictable.
7. Competitive customers with hourly loads of 20 kW (or 100,000 kWh annually) or less will be permitted to use Load Profiling to satisfy the requirements for hourly consumption data, however, they may choose other metering options offered by their Electric Service Provider consistent with the Commission rules on Metering.
8. Metering equipment ownership will be limited to the Affected Utility, Utility Distribution Company, and the Electric Service Provider, or the customer, who must obtain the metering equipment through the Affected Utility, Utility Distribution Company, or an Electric Service Provider.
9. Maintenance and servicing of the metering equipment (including Current Transformers and Potential Transformers) will be limited to the Affected Utility, Utility Distribution Company, and the Electric Service Provider.
10. Distribution primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility, Utility Distribution Company or the Electric Service Provider.
11. Transmission primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility or Utility Distribution Company only.
12. North American Electric Reliability Council-recognized holidays will be used in calculating "working days" for meter data timeliness requirements. If a holiday officially occurs on a Saturday, the preceding Friday will be recognized as the date of the holiday. If a holiday officially occurs on a Sunday, the following Monday will be recognized as the date of the holiday.
13. The Director, Utilities Division shall approve operating procedures to be used by the Utility Distribution Companies and the Meter Service Providers for performing work on primary metered customers.
14. The Director, Utilities Division shall approve operating procedures to be used by the Meter Reading Service Provider for validating, editing, and estimating metering data.

15. The Director, Utilities Division shall approve performance metering specifications and standards to be used by all entities performing metering.

M. Electric Service Providers shall comply with applicable reliability standards and practices established by the Western Systems Coordinating Council and the North American Electric Reliability Council or successor organizations.

N. Electric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.

O. Billing Elements. After the commencement of competition within a service territory pursuant to R14-2-1602, all customer bills, including bills for Standard Offer Service customers within that service territory, will list, at a minimum, the following billing cost elements:

1. Competitive Services:

- a. Generation, which shall include generation-related billing and collection;
- b. Competition Transition Charge;
- c. Transmission and Ancillary Services;
- d. Metering Services; and
- e. Meter Reading Services.

2. Non-Competitive Services:

- a. Distribution services, including distribution-related billing and collection, required Ancillary Services and Must-Run Generating Units; and
- b. System Benefit Charges.

3. Regulatory assessments; and

4. Applicable taxes.

5. In cases where the Utility Distribution Company and the Electric Service Provider provide separate bills to customers, the Electric Service Provider is not required to list the billing cost elements for non-competitive services. In cases where the Utility Distribution Company and the Electric Service Provider provide separate bills to customers, the Utility Distribution Company is not required to list the billing cost elements for competitive services if the customer is obtaining competitive services from an Electric Service Provider.

1 P. The operating procedures approved by the Director, Utilities Division, will be used for Direct Access Service
2 Requests as well as other billing and collection transactions.

3 **R14-2-1613. Reporting Requirements**

4 A. Reports covering the following items, as applicable, shall be submitted to the Director, Utilities Division,
5 through the Compliance Section, by Affected Utilities or Utility Distribution Companies and all Electric Service
6 Providers granted a Certificate of Convenience and Necessity pursuant to this Article. These reports shall
7 include the following information pertaining to competitive service offerings, Unbundled Services, and Standard
8 Offer services in Arizona:

- 9 1. Type of services offered;
- 10 2. kW and kWh sales to consumers, disaggregated by customer class (for example, residential,
11 commercial, industrial);
- 12 3. Revenues from sales by customer class (for example, residential, commercial, industrial);
- 13 4. Number of retail customers disaggregated as follows: residential, commercial/industrial under 21 kW,
14 commercial/industrial 21 to 999 kW, commercial/industrial 1000 kW or more, agricultural (if not
15 included in commercial), and other;
- 16 5. Retail kWh sales and revenues disaggregated by term of the contract (less than 1 year, 1 to 4 years,
17 longer than 4 years), and by type of service (for example, firm, interruptible, other);
- 18 6. Amount of revenues from each type of Competitive Service, and, if applicable, each type of
19 Noncompetitive Service provided [using breakdown from R14-2-1612(O)];
- 20 7. Value of all assets used to serve Arizona customers and accumulated depreciation
- 21 8. Tabulation of Arizona electric generation plants owned by the Electric Service Provider broken down
22 by generation technology, fuel type, and generation capacity;
- 23 9. The number of customers aggregated and the amount of aggregated load; and
- 24 10. Other data requested by staff or the Commission;

25 **B. Reporting Schedule**

- 26 1. For the period through December 31, 2003, semi-annual reports shall be filed by April 15 (covering the
27 previous period of July through December) and October 15 (covering the previous period of January
28 through June). The 1st such report shall cover the period January 1 through June 30, 1999.

2. For the period after December 31, 2003, annual reports shall be filed by April 15 (covering the previous period of January through December). The 1st such report shall cover the period January 1 through December 31, 2004.

C. No change.

D. Any Electric Service Provider, Affected Utility or Utility Distribution Company governed by this Article which fails to file the above data in a timely manner may be subject to a penalty imposed by the Commission or may have its Certificate rescinded by the Commission.

E. Any Electric Service Provider holding a Certificate pursuant to this Article shall file a request in Docket Control to discontinue any competitive tariff as soon as practicable after the decision to discontinue offering service is made.

F. In addition to the above reporting requirements, Electric Service Providers, Affected Utilities and Utility Distribution Companies governed by this Article shall participate in Commission workshops or other forums whose purpose is to evaluate competition or assess market issues.

R14-2-1614. Administrative Requirements

A. Any Electric Service Provider certificated under this Article may file with the Commission, through Docket Control, proposed additional tariffs for Competitive Services at any time which include a description of the service, maximum rates, terms, and conditions.

B. No change.

C. No change.

D. No change.

E. Prior to October 1, 1999, the Director, Utilities Division, shall implement a Consumer Education Program as approved by the Commission.

R14-2-1616. Code of Conduct

A. If not previously filed, no ~~No~~ later than 90 days after adoption of these Rules, each Affected Utility which plans to offer Noncompetitive Services and which plans to offer Competitive Services through its competitive electric affiliate shall propose a Code of Conduct to prevent anti-competitive activities. Each Affected Utility that is an electric cooperative, that plans to offer Noncompetitive Services, and that is a member of any electric cooperative that plans to offer Competitive Services shall also submit a Code of Conduct to prevent anti-

competitive activities. All Codes of Conduct shall be filed in Docket Control and be subject to Commission approval after a hearing.

B. No change.

R14-2-1617. Disclosure of Information

A. No change.

B. No change.

C. No change.

D. No change.

E. No change.

F. No change.

G. The consumer information label, the disclosure report, and the terms of service shall be distributed in accordance with the following requirements:

1. Prior to the initiation of service for any retail customer,
2. Prior to processing written authorization from a retail customer with a load of less than 1 MW to change Electric Service Providers,
3. To any person upon request,
4. Made a part of the semi-annual and annual reports required by R14-2-1613.
5. The information described in this subsection shall be posted on any electronic information medium of the Load-Serving Entities.

H. No change.

I. No change.

APPENDIX B

CONCISE EXPLANATORY STATEMENT

This explanatory statement is provided to comply with the provisions of A.R.S. § 41-1036.

**I. CHANGES IN THE TEXT OF THE PROPOSED RULES FROM THAT CONTAINED
IN THE NOTICE OF RULEMAKING FILED WITH THE SECRETARY OF STATE**

After public comment, the following sections have been modified from the text of the revised rules published in the Arizona Administrative Register:

R14-2-1609

Add "If not previously filed," at the beginning of Section 1609(E).

R14-2-1616

Add "If not previously filed," to the beginning of Section 1616(A).

**II. EVALUATION OF THE ARGUMENTS FOR AND AGAINST THE PROPOSED
RULES**

R14-2-1609 "Transmission and Distribution Access"

Issue: R14-2-1609(E) requires Affected Utilities that own or operate Arizona transmission facilities to file an Arizona Independent Scheduling Administrator ("AISA") implementation plan within 30 days of the Commission's adoption of final rules. In their comments, the Co-ops noted that AEPCO, TEP and APS already filed the AISA implementation plan and its protocols, and suggested that to clarify that they need not be filed again, "If not previously filed," be added at the beginning of this Section. Staff agreed that it was not the intent of the proposed rulemaking to require the utilities to re-file implementation plans and concurred with the Co-ops.

Analysis: We agree with the parties. It would be a waste of resources for the Affected Utilities to re-file their plans.

Resolution: Add "If not previously filed," at the beginning of Section 1609(E).

R14-2-1612 "Service Quality, Consumer Protection, Safety, and Billing Requirements"

Issue: For safety, liability, reliability and proficiency reasons, the Co-ops suggested that Section 1612(L)(9) be modified to exclude Electric Service Providers ("ESPs") from owning

1 metering equipment (including Current Transformers and Potential Transformers) for
2 distribution primary voltage service. The Co-ops also suggested that Section 1612(L)(10) be
3 modified to exclude ESPs from owning distribution primary voltage Current Transformers
4 and Potential Transformers. Staff believed that the Co-ops' proposed modifications would be
5 substantive changes to the rule, that the Process Standardization Working Group has been
6 reviewing the issue of ownership of Current Transformers and Potential Transformers and has
7 not yet completed its review, and that it would be premature to make the suggested changes.

8 **Analysis:** Because the Process Standardization Working Group is currently working on
9 this issue, the rule should not be modified until they have completed their study.

10 **Resolution:** No change.

11 **R14-2-1616 "Code of Conduct"**

12 **Issue:** R14-2-1616(a) requires Affected Utilities that plan to offer Noncompetitive Services
13 and plan to offer Competitive Services through competitive electric affiliates to propose
14 Codes of Conduct no later than 90 days after the Commission's adoption of the rules. The
15 Co-ops suggested that the words "If not previously filed" be added to the beginning of R14-2-
16 1616(A). Staff agreed it was not the intent of the proposed rulemaking to require the utilities
17 to re-file Codes of Conduct, and recommended the proposed modification.

18 **Analysis:** We concur with the parties. It would be a waste of resources for the Affected
19 Utilities to re-file their Code of Conduct.

20 **Resolution:** Add "If not previously filed," to the beginning of Section 1616(A).

21 **R14-2-1606 "Services Required to be Made Available"**

22 **R14-2-1612 "Service Quality, Consumer Protection, Safety and Billing Requirements"**

23 **Issue:** The Co-ops noted that transmission service is a Noncompetitive Service pursuant to
24 R14-2-1601(29) (the definition of Noncompetitive Services), however, Section 1606(C)(2),
25 which sets out the components of the Standard Offer tariff, and Section 1612(N)(1), which
26 establishes billing elements, classify transmission services as Competitive Services. The Co-
27 ops suggested modifying these sections by deleting transmission services from the
28 competitive classification and reclassifying it as a noncompetitive element of the tariff or bill,

1 respectively. Staff did not address this issue in its written comments, however, at the public
2 comment hearing, Staff stated that the treatment of transmission services currently was being
3 studied by FERC and that Staff had concerns that the proposed modifications would constitute
4 substantive changes requiring additional public comment. Counsel for AECC stated he had
5 not had the opportunity to see the Co-ops' suggested modification, but urged that no
6 modification be made at this time if it would be a substantive change to the rules.

7 **Analysis:** The Co-ops have pointed out an inconsistency in the rules. Because at least
8 two other parties have concerns, however, that the proposed modification is a substantive
9 change requiring additional public comment, we do not want to modify the rules at this time.
10 We believe, however, that the issue the Co-ops raise needs to be addressed, and we will direct
11 the Utilities Division to study the issue and to solicit comments from interested parties on
12 whether these Sections of the rules should be modified.

13 **Resolution:** No change at this time, with action consistent with the discussion above.
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